

Homeowners in 2000: Other Structures Used In “Business”

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Irv Lutinski is a cement contractor living in a northern suburb. He and his son Tony have laid sidewalks and driveways in the metro area for over ten years. The cement mixers and other equipment used in Irv's business are stored in the detached garage on the rear of the lot. Irv's wife June keeps the company's books in an office set up in the back bedroom.

When there is a business conducted from the dwelling, there is no policy exclusion impacting building coverage. However, the Homeowners policy does not intend to cover other structures used in business. If Irv Lutinski's garage were attached to the dwelling, the coverage for the building would remain intact; the problem arises when the garage is detached and the part of the policy labeled Other Structures applies. With Homeowners 2000, the restrictions on other structures used in business has been changed.

The 1994 Homeowner's Policy

For many years the Homeowners section titled Other Structures has contained the following: “We do not cover other structures used in whole or in part for ‘business.’” While some companies have overlooked minor business exposures at the time of claim, others have relied on the wording to exclude coverage for any other structure used in business. With this wording, many companies will not cover Irv Lutinski's detached garage if it is filled with cement equipment.

The 2000 Homeowner's Policy

In this edition of the policy, the wording of the exclusionary language has been revised. It begins by stating that other structures “from which a ‘business’ is conducted” are not covered. This wording, while still subject to interpretation, is not nearly as encompassing as the previous policy language. Is Irv Lutinski conducting a business from his garage or is he simply storing business property in it? With this new wording there is a difference.

The contract goes on to exclude other structures that are “used to store ‘business’ property” with one exception. If the building is used to store business property that is owned solely by either an insured or a tenant of the dwelling, there may still be coverage for the building under this Homeowners policy. The requirement is that the business property stored there does not include gaseous or liquid fuel except fuel in a permanently installed fuel tank of a vehicle or craft parked or stored in the structure.

Irv Lutinski may have coverage for the detached garage under this Homeowners policy even if he stores his cement mixing equipment in it. However, if the business property stored in the garage includes a five gallon gas can with even a trace of fuel, there may be a big problem. Perhaps Irv's agent should still provide a quote for adding the other structure to Irv's business policy.

Homeowners 2000: Changes in “Business”
The Definition of “Business”

Personal Property used in “Business”
The “Business” Liability Exclusion